

## **Legal Alert: Tax Measures Aimed to Reduce The Economic Impact Created by COVID-19**

*April 7, 2020 / By Rodrigo Álvarez, Germán Vargas y Gonzalo Zegers.*

On April 1 2020, the Chilean government issued Decree N° 420, which established tax measures aimed to reduce the economic impact created by COVID-19. These measures will be valid for a period of 12 months and until the effects of the Covid-19 are exhausted.

The following list contains a summary of the approved measures and their validity:

### **1. Forgiveness of Monthly tax returns ("PPM") due on April, May and June of this year.**

PPM due through Forms No. 29 and 50 will be waived for the months of April, May and June. This benefit applies to all taxpayers subject to Corporate Tax (Impuesto de Primera Categoría) or Employment Tax (Impuesto de Segunda Categoría) who are obliged to pay it.

### **2. Postpone payment of VAT to be declared or paid within April, May and June 2020.**

For Small and Medium-sized Enterprises ("SMEs") covered by the Pro-SMEs tax regime established in the Chilean Income Tax Law ("CITL")

The VAT shall be pay from July, in 12 monthly installments, equal and adjusted.

For companies whose annual income does not exceed UF 350,000 (approx. USD 11,600,000)

The income limit will be calculated considering the income obtained by related parties in the terms established in article 8 No. 17 letters a) and b) of the Tax Code, which refers to the relationship between companies belonging to the same business group.

The VAT shall be pay from July, in 6 monthly installments, equal and adjusted.

The delay will apply for taxes declared and paid through forms N° 29 and 50 of the respective months.

### **3. Postpone payment of the first installment of contributions (land tax).**

Benefit applicable to companies whose annual income does not exceed UF 350,000, with the same limitations abovementioned; and for individuals with properties whose tax value (set by the Chilean IRS or Servicio de Impuestos Internos "SII") is less than \$133,000,000 as of March 2020 (approx. 156,000 USD).

Said contribution shall be pay in 3 installments, equal and adjusted, in the futures installments due on June, September and November.

### **4. Advance refund of income tax declared for tax year 2020.**

Benefit for SMEs under the Pro-SMEs tax regime established in CITL.  
The tax refund will be paid in April 2020.

### **5. Deadline extension to pay the Corporate Tax.**

Benefit for SMEs under the Pro-SMEs tax regime established in CITL .  
Beneficiaries will be able to pay until July 31, 2020 taxes declared on the Annual Tax Return of the current year.

**6. Extension until July 31, 2020, the deadline to avail of the tax regimes established by the recently approved Tax Reform (Law No. 21,210).**

**7. Forgiveness and refund of the Withholding Tax to taxpayers who perform independently professions or other lucrative activities established in article 42 N° 2 CITL.**

Applies to tax withheld on January and February 2020.  
Taxpayers will be refund during April 2020.

**8. Flexibility for payments to the General Treasury of the Republic**

Benefit for taxpayers of Surtax (payable by individual residents or domiciled in Chile) or Employment Tax, whose annual income does not exceed 90 UTA (approx.. 62,700 USD); and, for companies whose annual income does not exceed UF 350,000, with the same limitations mentioned in point 2 above.

The Treasury is authorized to agree on special payment agreements and to forgive, in whole or in part, the interests and fines corresponding to taxes and contributions, or fees accrued within of April, May and June 2020.

**9. Forgiveness of interest and penalties for overdue tax returns**

The SII and the Treasury are authorized to forgive, in whole or in part, the interests and fines applied to tax returns filed after the deadline or other formalities related to the tax return established in the CITL and the VAT Law, until September 30, 2020.

**10. Forgiveness of interest and fines of contributions paid after the deadline.**

The SII and the Treasury are empowered to forgive, in whole or in part, the default interest on overdue land tax quotas, until September 30, 2020.

Other important measure to deal with the COVID-19 was introduce on April 2, 2020, by Law No. 21,225, is the temporary reduction of the Stamp Tax at a rate of 0% for a period of 6 months. Said reduction is valid from April 1 to September 30, 2020.

Lastly, through Resolutions No. 32 and No. 35, the SII has extended the term to file certain sworn statements.

## **Contacts**

For more information, please contact: